

## Deficits and Debt

***Record Deficits and No Plan to Balance the Budget*** — The Administration minimizes its track record of four record deficits in the last four years, and claims that progress is being made on the deficit. In fact, since this Administration took office, the budget outlook has gotten continually worse. The Bush Administration's first budget estimated a surplus of \$305 billion for 2006; today's 2006 deficit estimate of \$423 billion thus represents a \$728 billion deterioration under this Administration for this year alone. The same trend is evident in the deficit projections made for fiscal year 2007.



### Bush Administration's Surplus/Deficit Projections (in billions of dollars)

Budget	FY 2006	FY 2007
February 2001	\$305	\$340
February 2002	\$86	\$104
February 2003	-\$201	-\$178
February 2004	-\$268	-\$241
February 2005	-\$390	-\$312
February 2006	-\$423	-\$354

All figures include the impact of the Administration's proposed policies.

***Spending Cuts Don't Begin to Pay for Large Tax Cuts*** — The deficit outlook for the next five years in the President's budget is bleak: \$1.2 trillion over five years (2007-2011) as presented, and \$1.6 trillion if omitted items are included. However, if the President's policies are not enacted, the deficit would be \$413 billion better than under the President's plan, because the

### The President's Budget Makes the Deficit \$413 Billion Worse

Tax Policies	285 Billion
Defense Supplemental	89 Billion
Social Security Reform	82 Billion
Defense Appropriations Increases	74 Billion
Hurricane Supplemental	12 Billion
Non-Defense Appropriations Cuts	-115 Billion
Mandatory Program Cuts	-66 Billion
Debt Service	52 Billion

**Total Effect on the Deficit,  
 2007-2011**

**\$413 Billion**

President's revenue and spending measures that increase the deficit outweigh the spending cuts by a large amount. The cuts the President makes in non-defense appropriations and entitlement programs (totaling \$181 billion) impose real harm on working families, but together their impact is smaller than that of the tax cuts alone, which cost \$285 billion over five years. Worse yet, the tax price tag of \$285 billion only fixes the Alternative Minimum Tax for one year. AMT repair for the full five years would boost the cost of the President's tax plan by \$263 billion over the five-year period. In total, the deficit impact of the President's stated tax agenda, along with a full repair of the AMT and associated debt service, is \$601 billion over five years and \$3.0 trillion over ten years.

***Administration Claims of Progress Are Unconvincing*** — The Administration claims that it is making progress on the deficit, and that the deficit is on track to be cut in half over five years. A closer examination of these claims demonstrates that they are not supported by the evidence.

- **Understating Deficits** – The Administration generates deficit numbers that appear to show modest improvement relative to 2004 by omitting items fundamental to a realistic forecast – such as a repair of the AMT and a full accounting of likely ongoing war costs. When omitted items are included, the realistic 2009 deficit of \$313 billion is about the same size as the deficit for 2005, proving that the Administration is not making progress on the deficit.
- **Short-Term Focus Obscures True Picture** – The Administration's claim to be cutting the 2004 deficit in half over five years, by 2009, might lead some to think that the budget is on a linear path and will completely eliminate the deficit by the end of ten years. But the realistic estimates presented here show that, on the contrary, by the end of the ten-year window (2014), the deficit under Administration policies is likely to balloon to \$442 billion.
- **Questionable Standard of Progress** – The standard of progress the Administration sets for itself is dubious: turning a record surplus in 2000 into a record deficit by 2004 and then digging only halfway out of that deficit hole by 2009 fails to constitute an achievement.

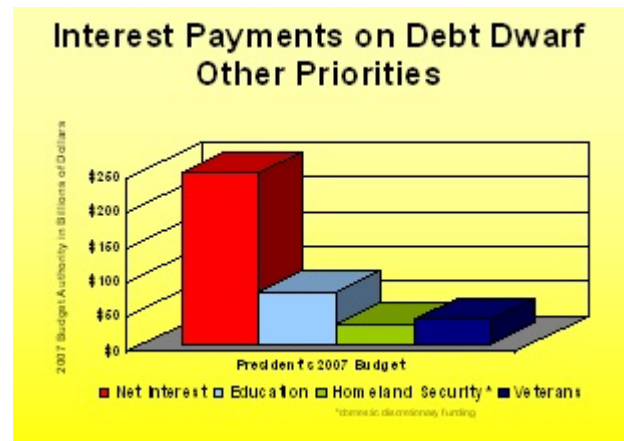
***Administration's Budget Requires Another Increase in the Debt Limit*** — In 2001, this Administration's first budget estimated that its policies would require no debt limit increase until 2008. In fact, the Administration has requested – and the Republican Congress has granted – three debt ceiling increases totaling \$2.2 trillion. In December, Treasury Secretary Snow wrote to Congress to request a fourth debt limit increase, and the \$781 billion debt limit increase currently pending brings the total increases to more than \$3 trillion.

### Republicans Increase the Debt Limit by \$3 Trillion

*Debt Limit Increases, Billions of Dollars*

June 2002	\$450
May 2003	\$984
November 2004	\$800
Pending Increase	\$781
<b>Total Increases</b>	<b>\$3,015</b>

***Deficits Undermine Long-Term Economic Strength*** — The Administration has claimed that its record deficits are “manageable,” but mainstream economists agree that large, persistent deficits undermine the long-term strength of the economy. Such deficits put upward pressure on interest rates, crowd out private investment, and diminish prospects for sustained economic growth. Former Federal Reserve Chairman Alan Greenspan recently warned that if these large budget deficits are not addressed, “at some point these deficits would cause the economy to stagnate or worse.”



***Growing Debt Burdens Future Generations and Wastes Resources on Interest Payments*** —

This Administration’s persistent deficits simply pass the cost of current policies – plus interest – to our children and grandchildren in the form of a growing national debt. Meanwhile, although these interest payments are obligatory, they nevertheless consume resources that would be used more productively for other priorities if the debt and resulting interest payments were smaller. The interest paid on this debt is one of the fastest growing parts of the federal budget and dwarfs the size of federal expenditures on such high priorities as education, homeland security, and veterans’ health care. According to the Administration’s own numbers, interest payments on the national debt in 2007 alone will total \$247 billion. By 2011 that figure will climb to \$322 billion.

***Administration Policies Spend the Social Security Surplus*** — The Administration’s deficit policies call for spending all of the Social Security surplus every year for the next ten years and beyond. A total of \$2.5 trillion will be spent over the next ten years to pay for the day-to-day operations of government, rather than being saved for Social Security, a far cry from the Administration’s 2001 pledge that its budget would save “all of Social Security surplus (\$2.6 trillion) for Social Security.” (Fiscal Year 2002 Budget, page 7)